

50X1-HUM

CLASSIFICATION CONFIDENTIAL
 CENTRAL INTELLIGENCE AGENCY
 INFORMATION FROM
 FOREIGN DOCUMENTS OR RADIO BROADCASTS

REPORT

CD NO.

COUNTRY USSR, Hungary, Poland

SUBJECT Economic - Agriculture

DATE OF
INFORMATION 1953HOW
PUBLISHED Daily newspapers

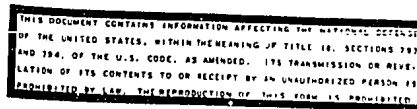
DATE DIST. 26 Apr 1954

WHERE
PUBLISHED Zagreb

NO. OF PAGES 7

DATE
PUBLISHED 17-20 Dec 1953

LANGUAGE Croatian

SUPPLEMENT TO
REPORT NO.

THIS IS UNEVALUATED INFORMATION

SOURCE As indicated

YUGOSLAV VIEW OF AGRICULTURE
 IN THE USSR, HUNGARY, AND POLAND

[Comment: The following report on agricultural planning and policies in the USSR, Hungary, and Poland indicates Yugoslavia's unfavorable view of Soviet methods.

Numbers in parentheses refer to appended sources.]

Agriculture in the USSR

Central state funds of farm products are established by the Soviet government through contract purchasing, compulsory crop delivery, and surplus purchasing and by payment in kind for MTS services. In a broad sense, the first three methods are representative of the Soviet purchasing system.

Farm products obtained by the state in return for MTS services are increasing steadily. In 1937, cereals obtained by payment in kind for MTS services amounted to 50 percent of the central cereals fund.

New agricultural measures, introduced by decrees issued by the Party Central Committee and the government in September 1953, provide for increased MTS activities, an indication of still larger centralized state funds. Despite strong resistance to MTS services by kolkhozes, the government finds it easier to increase agricultural funds by this method than through compulsory crop purchasing, because crop purchasing has been very much despised and the government has continuously encountered difficulties in its implementation.

The three methods of purchasing have varied in significance in the different phases of Soviet economic development. In the early period the basic method was contract purchasing. In the ensuing 30 years this method was gradually replaced by compulsory crop purchasing. However, contract purchasing remains in force for the principal industrial products, such as cotton and sugar beets.

50X1-HUM

STATE		NAVY		NSRB		DISTRIBUTION													
ARMY		AIR		FBI															

CONFIDENTIAL

50X1-HUM

In accord with sowing and production plans at the beginning of each economic year, state planning agencies dictate to kolkhozes not only production quotas, but also prices /at which products are to be sold to the state/. The total /sic/ production must be turned over to the state. In exchange, farmers mostly obtain consumer goods at prices, quality, and type as designated by the market, which in turn depends on industry. Recent measures have not made any changes in the contract purchasing system.

Compulsory crop purchasing applies to cereals, sunflowers, potatoes, other vegetables, livestock products, and hay. For agricultural products, amounts subject to compulsory purchase are determined according to arable area, and for livestock according to total agricultural area. At the plenary session of the Communist Party of the USSR in September 1953, it was stressed that this principle has not been applied, but that crop purchasing has been governed by the principle of who has more should contribute more, regardless of the agricultural area involved. Such a practice leads to loss of incentive. It was stressed at the plenum that it led to lack of interest /in increasing production/ among producers and to sluggishness in production.

Crop purchase quotas, which have been steadily increasing, have resulted in sluggish and sometimes even decreased production. From his small plot, the kolkhoz member has been obliged to deliver to the state designated quantities of meat and milk, even in cases where he has had no cows. Although Soviet official publications have stressed not only how annual crop purchase plans have been fulfilled and overfulfilled, it was stressed at the plenary session that there were considerable shortages in deliveries, not only by members of kolkhozes but also by a large number of kolkhozes. According to Soviet regulations, nonfulfillment of crop purchase obligations involves not only material but also criminal liability.

Nonfulfillment of crop purchase obligations is one of the strongest manifestations of /Soviet/ resistance; the decision by the Plenum to cancel all outstanding crop purchase obligations indicates a significant defeat for the bureaucracy.

The new Soviet measures provide for a reduction in crop purchase obligations, but an increase in crop purchase prices. Beef and lamb are priced at almost six times their former price; pork and poultry, four; milk and butter, two; while wool is priced at 2 rubles more per kilogram. This would seem to point to considerable price increases. However, a comparison of crop purchase prices with retail market prices points to the opposite. as follows (in rubles):

	<u>Crop Purchase Prices</u>		<u>Sale Prices in Moscow Sep 1953</u>	
	<u>Before Sep 1953</u>	<u>After Sep 1953</u>	<u>State Sector</u>	<u>Kolkhoz Market</u>
Beef, per kilogram	0.25	1.5	12 - 15	20 - 25
Pork, per kilogram	0.8	3.2	19 - 21	20 - 22
Milk, per liter	0.25	0.55	2.5	3.0
Butter, per kilogram	4.5	9.0	29.	.
Eggs, (10)	4.0	6.0	9 - 11	13 - 15

- 2 -

CONFIDENTIAL

CONFIDENTIAL

50X1-HUM

Formerly, purchasing prices for livestock products in comparison with selling prices were very low. By the enormous differences between purchasing and retail prices, the state accumulated vast funds.

However, the new crop purchase prices provide only a moderate modification in the relationship between purchasing and selling prices.

Kolkhozes and kolkhoz members avoid delivering their products to the state, and resort to all means possible to sell their products on the kolkhoz market, because prices on the kolkhoz market are considerably higher than state store prices. By selling their products on the kolkhoz market, they obtain from 3 to 16 times more than they would at new crop purchase prices.

The new decrees do not decrease crop purchase obligations or increase crop purchase prices of cereals or sunflowers. Some sources cite the crop purchase price for a kilogram of first-class wheat as 6 kopecks, while others cite it as 10 kopecks. In September 1953, a kilogram of wheat flour in Moscow stores cost 3.25 rubles, or 32-53 times more than the purchase price of wheat. The ratio between the purchase price of sunflowers and the retail price of sunflower oil is 1:240.

The USSR, partially realizing the failure of its crop purchase policies, in its September decrees is accelerating surplus purchasing, particularly of potatoes, vegetables, and livestock products.

In surplus purchasing, the government contracts for delivery of products remaining after crop purchase obligations have been fulfilled. Inasmuch as the government may pay for these products in consumer goods rather than money (the manner in which these surpluses will be paid for is not known), surplus purchasing would lead to the application of Stalin's plan to abolish commodity production on small plots.

Surplus purchase prices are even three times as high as compulsory crop delivery purchase prices and should doubtless act as a stimulus to production.

The plan of the Soviet government is clear: decrease crop purchase obligations and increase prices and quantities of farm and livestock products obtained by state surplus purchasing. In comparison with 1952, centralized state funds should increase in 1954 as follows: meat, 37 percent; milk, 43 percent; eggs, 65 percent; and wool, 26 percent.

Whether this will be carried out at the expense of the state fund or at the expense of the consumers, only time will tell.(1)

Agriculture in Hungary

Hungarian agriculture has deteriorated, with the average crop yield considerably lower than before World War II. This has resulted from administrative pressure against peasants, compulsory crop purchasing (which includes every branch of agricultural production), forced collectivization, and persecution of kulaks (who in most cases are not kulaks but peasants who in one way or another have expressed dissatisfaction with the regime). In addition, masses of peasants have been flocking into industry, and "gifts" of land have been contributed to the government. Numerous wealthy peasants have saved themselves from being entered on "kulak lists" by these gifts. As a result, a vast reserve of generally uncultivated land has been created. In villages, an acute shortage of manpower exists in contrast to a considerable increase in tractors and other farm equipment.

- 3 -

CONFIDENTIAL

50X1-HUM

CONFIDENTIAL

Thus it has come to pass that Hungary, one of Europe's most fertile countries, is suffering a scarcity of foodstuffs. There are insufficient market surpluses for city dwellers or for export. The situation has been aggravated by large but disadvantageously priced exports to the USSR and by the 1952 drought.

The rich 1953 harvest did not bring about desired results as regards supplies or quantities for export. At the height of the 1952 drought the USSR extended to the Hungarians a sizable quantity of wheat in the form of a loan ("brotherly love"). Similar loans were extended by other Eastern European countries and China. These loans must be repaid from the 1953 harvest.

Consequently, Hungary, a classic exporter of foodstuffs, now imports bacon from Holland, lard from Denmark, and sugar from Great Britain. The Hungarians offer electrical equipment for sale to the British, which the British do not need, but are unable to deliver livestock and poultry which the British used to import from Hungary.

At the end of October 1953, a large commission of agricultural specialists, appointed by the Hungarian government to work out a planned program for the development of Hungarian agriculture, set to work in Budapest.

Istre Nagy, President of the Hungarian government, outlined the program's basic principles as follows: speed, which would make possible an increase in total production yields and particularly market surpluses within 2-3 years; a vast increase in production volume; and plans, which would consider the over-all problems of agriculture rather than concentrating on details. Nagy stressed that increased agricultural output is the central problem for the Hungarian economy, and that large sums would be expended on its future development at the expense of the development of heavy industry.

There has been concern over agriculture for a number of months. During this time, the government has issued approximately 30 pertinent decrees, which have been impressive in form, but often contradictory in substance and of short-range effectiveness. Obviously, they have failed to achieve the desired results.

The commission's assignment was by no means easy. The manner in which the Hungarian government approached a solution to agricultural problems gives rise to justified doubt for its success. It cannot be said that Nagy, Rakosi, and others did not discuss the political causes of the agricultural crisis, for they circuitously and obliquely mentioned shortcomings in the crop-purchase system, "excessive centralization," "errors" in cooperatives, and similar factors.

However, neither the decrees nor the commission have managed to touch these problems, which are the very substance of Hungarian village policies. On the contrary, government officials have announced that crop purchasing will continue. Producers' cooperatives have been granted reductions in taxes and crop-purchase obligations, and other alleviations, but the possibility of withdrawing from producers' cooperatives (promised by Nagy in July 1953) is mainly theoretical, since peasants have been "dissuaded" from such withdrawals by economic sanctions or by intimidation.

The plan for the development of agriculture, which is to become effective on 1 January 1954, will include decrees pertaining solely to the technological aspects of production, such as agricultural investments, crop proportions, and similar decrees. Without fundamental changes in the entire system, it is obvious that agriculture cannot progress. This is demonstrated by the poor progress in the fall sowing at the very time when new measures are under way.

CONFIDENTIAL

50X1-HUM

CONFIDENTIAL

Hungarian agriculture cannot be divorced from other problems in the country. Agricultural development depends on industry which does not fulfill its plans, whose products are difficult to place on foreign markets and it produces large quantities of inferior goods, all the result of workers' lack of interest and lack of incentive in the state capitalistic system. The backward trend of Hungarian agriculture is only one of the causes of the shake-up being experienced by the social and economic system of the Hungarian bureaucracy.(2)

Agriculture in Poland

In almost every case, Poland has been one of the last countries in the Soviet bloc to introduce measures being undertaken by the others. After the death of Stalin, Polish government policies were to a certain degree out of step with policies in the other bloc countries and even with those of the USSR. While in the other bloc countries Stalin was taken off the books practically the day after his funeral, this was not done in Poland. On 28 March 1953, the plenum of the Central Committee of the PZPR (United Polish Workers Party) was devoted to glorification of Stalin and to confirmation of his policies. At the second plenum held recently, Stalin was not even mentioned. The plenum issued decrees similar to those issued earlier in East Germany, Hungary, Czechoslovakia, and the USSR. There was serious criticism of current policies, but the decrees issued do not represent any fundamental renunciation of those policies but rather tend to try to patch holes in existing policies.

The dominant theme of the plenum was the lag in agricultural production as compared with industrial development. Bierut's report demonstrates that in the first 4 years of the Six-Year Plan, 1949 - 1953, industrial production was increased by 115 percent while agricultural production was increased only 9 percent.

The plenum issued proposals which call for elimination of these disproportions within the next 2 years, by providing a transfer of resources from industry to agriculture. The plans call for a 45-percent increase in agricultural investments in 1955 over those in 1953. However, these percentages mean very little, because total agricultural production is far behind prewar production. The plenum's plans call for 7.9 million livestock by 1954, whereas livestock in prewar Poland totaled 9.9 million. Whether the plan will be achieved is questionable because of the peasants' resistance to government policies.

The production of wheat per hectare is the same as before the war, but the total production is much lower. Landowners with 60-70 hectares (the maximum is 100 hectares) cultivate 10-12 hectares, rent a portion to poor peasants, and allow the rest to be uncultivated. Of 3 million village farms, a quarter of a million belong to wealthy farmers; therefore it is easy to visualize how low agricultural production is.

Sluggish and decreased agricultural production is partially the result of excessive emphasis on heavy industry, but is mostly the result of bureaucratic administration of agriculture. In Poland, all efforts are directed toward the development of heavy industry, particularly smelters and steel plants, while the production of consumer goods is thoroughly neglected. It is a problem for the peasant to procure rakes, pitchforks, plows, and even tin pails. Peasants must submit petitions to the powiat authorities for construction materials. Ordinarily, several months go by before a petition is acted upon; in some cases it has been 2-3 years. At the plenum, bureaucracy in the powiats of Lodz Wojewodstwo was severely criticized because 24,559 petitions for construction material were pending while bricks were crumbling in warehouses. For instance, a sack of cement requires a petition to powiat authorities.

- 5 -

CONFIDENTIAL

CONFIDENTIAL

50X1-HUM

Discussion at the plenum demonstrated that Poland's compulsory crop purchase policy and the attempt to place agriculture under state jurisdiction by means of collectivization have met with the general resistance of peasants, and have thrown small and medium farmers directly into the arms of wealthy farmers. In some wojewodztwos, 25 percent of the equipment in government machinery stations is not utilized. In 1953, 50 percent of the threshing machines, and 20 percent of the automatic binders and reapers in the grain machinery stations were not utilized. Jerzy Tepicht, director of the Institute of Agricultural Economy, stated that farms, which in 1950 and 1951 utilized the grain machinery stations quite extensively, reverted in 1952 to using kulak-owned equipment in return for their labor or wheat.

In Poland, 1.5 million or 50 percent of the farmers have 3 hectares of land; the majority do not have any draft animals or draft equipment. In Warsaw Wojewodztwo, 105,000 farms do not have a horse; in Kielce Wojewodztwo, 30,000; and in Rzeszow Wojewodztwo, 80 percent. As a result, a large number of these peasants turn to wealthy village farmers to avoid utilizing government machinery stations.

Government policies have resulted in complete lack of interest in production and have brought peasants to the level of day laborers. According to the official economic periodical, *Zycie Gospodarskie*, the average value of a workday to a peasant with 5-10 hectares is a little over 13 zlotys. If a peasant works an average of 200 days a year, his annual earnings would be 2,600 zlotys; this is less than the cost of a ready-made suit, which costs approximately 2,700 zlotys.

Measures called for by the latest plenum will improve the situation to a point of being just bearable. For example, production of cereals is to be increased 600,000 tons in the next 2 years, but this only corresponds to the amounts lost through poor cultivation.

The measures currently planned are basically bureaucratic. Crop purchasing, which included approximately 30 items, is temporarily limited to cereals, potatoes, milk, and meat. Contract purchasing has been extended so that nothing is really changed.

Organizational measures called for by the plenum will lead to further bureaucratization. As in the USSR, plans are being made to transfer specialists and party officials to agriculture, and to nationalize agriculture. For example, the plenum decided that the agricultural and forestry sections of the wojewodztwo people's councils should be turned into wojewodztwo administrations for agriculture so that agencies for direct administration of agricultural production might be created. A decision of this type indicates an incapacity on the part of the bureaucracy to find a way out of the blind alley in which it finds itself, for it tries to solve its problems by further bureaucratization. This bureaucracy is copied from the Soviet bureaucratic system regardless of the fact that Soviet agriculture is completely nationalized, while Poland still has a large sector of private owners.(3)

- 6 -

CONFIDENTIAL

50X1-HUM

CONFIDENTIAL

SOURCES

1. Borba, 17 Dec 53, article signed by Ivo Pelican.
2. Ibid., 19 Dec 53, article signed by Savro Altman.
3. Ibid., 20 Dec 53, article signed by K. Davidovic.

- E N D -

50X1-HUM

- 7 -

CONFIDENTIAL